

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC PRIORITY 0302

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: INITIAL TRADE UNION REACTION TO THE BUDGET

1. SUMMARY - INITIAL TRADE UNION REACTION TO CHANCELLOR
HEALEY'S BUDGET RANGED FROM DISAPPOINTMENT TO OUTRAGE,
AND THERE WERE SEVERAL CALLS FROM UNIONISTS AROUND THE
COUNTRY, PARTICULARLY AT THE CONGRESS OF THE LEFT-LED
SCOTTISH TUC, TO SCRAP THE SOCIAL CONTRACT. HOWEVER,
THE FIRST AUTHORITATIVE REACTION TO IT FROM TUC GENERAL
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SECRETARY MURRAY AND THE CAUTIOUS STANCE TAKEN BY JACK

JONES, LEADER OF THE TRANSPORT WORKERS, DAVID BASNETT, OF THE GENERAL AND MUNICIPAL WORKERS AND GEORGE SMITH, OF THE CONSTRUCTION WORKERS, AS WELL AS OTHER TUC LEADERS MAKE IT CLEAR THAT THE TUC "ESTABLISHMENT" WILL TAKE A COOLER VIEW WHEN THE FUROR DIES DOWN. THE EXTREME LEFT, AND THOSE ASSOCIATED WITH THEM, WILL NO DOUBT TRY TO USE THE BUDGET AS A BASIS TO GENERATE CONFRONTATION BETWEEN THE UNIONS AND THE GOVERNMENT, BUT AT THIS READING, WE DO NOT BELIEVE THEY WILL SUCCEED. END SUMMARY.

2. EARLIER IN THE WEEK, TUC GENERAL SECRETARY EXPRESSED HIS ORGANIZATION'S STRONG DISAPPOINTMENT WITH THE BUDGET, DECLARING THAT IT "DOES NOTHING TO PREVENT THE EMERGENCE OF HIGHER UNEMPLOYMENT NEXT WINTER". JACK JONES, INTERVIEWED IN SCOTLAND, WHERE HE WAS ATTENDING THE CONGRESS OF THE SCOTTISH TUC, ALSO TOOK SHARP ISSUE WITH THE CHANCELLOR'S EMPHASIS ON HIGH WAGES AS A MAJOR CAUSE OF INFLATION, AND HE SUGGESTED THAT THE TUC MAY WANT TO TAKE ANOTHER LOOK AT ITS COMMITMENT TO THE SOCIAL CONTRACT. BUT, WHEN THE LEFT-LED SCOTTISH TUC DEBATED AN EMERGENCY RESOLUTION WHICH BITTERLY ATTACKED THE BUDGET AND PLEDGED THE STUC SUPPORT TO UNIONS SEEKING WAGE INCREASES TO IMPROVE THEIR STANDARD OF LIVING, THREE IMPORTANT PILLARS OF THE SOCIAL CONTRACT PRESENT AT ABERDEEN LEFT THE CONGRESS FLOOR (JONES, DAVID BASNETT, OF THE GIANT GENERAL AND MUNICIPAL WORKERS, AND GEORGE SMITH, HEAD OF THE TUC'S LARGE CONSTRUCTION WORKERS UNION).

3. THE REACTION OF UNION LEADERS FITTED FOR THE MOST INTO THEIR VARIOUS PRE-BUDGET IDEOLOGICAL OUTLOOKS. THE LEFT-WING WHICH RANGED FROM COMMUNIST PARTY STALWARTS LIKE MICK MCGAHEY, VICE PRESIDENT OF THE MINERS, TO MEN LIKE HUGH SCANLON, CLIVE JENKINS AND RAY BUCKTON, BITTERLY ATTACKED THE BUDGET AND SOME OF THEM SUGGESTED THAT THIS ENDED THE SOCIAL CONTRACT BETWEEN THE UNIONS AND THE GOVERNMENT. MODERATES, SUCH AS TOM JACKSON, OF THE POST OFFICE WORKERS, AND LORD ALLEN OF THE SHOPWORKERS, THOUGH DISAPPOINTED IN THE BUDGET, TOOK THE VIEW THAT PERHAPS HEALEY'S RATIONALE ABOUT EXCESSIVE WAGE INCREASES LEADING TO UNEMPLOYMENT MAY BE RIGHT. BUT LEN MURRAY, AT THE LIMITED OFFICIAL USE

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CENTER, ATTEMPTED TO TAKE A BALANCED VIEW. HE WELCOMED, FOR EXAMPLE, THE GOVERNMENT'S PLANNED DRIVE AGAINST TAX EVASION, STEPS TO DEAL WITH UNDER-THE-TABLE PAYMENTS ("THE LUMP") TO NON-UNION WORKERS IN THE CONSTRUCTION INDUSTRY, AND THE INCREASE IN TAXES ON LUXURY GOODS TO DEFLECT NON-ESSENTIAL SPENDING. BUT MURRAY ALSO DECLARED THAT "BRITAIN'S PROBLEMS COULD NOT BE SOLVED BY PASSIVE ACCEPTANCE OF HIGHER UNEMPLOYMENT".

4. THE TUC-LABOR PARTY LIAISON COMMITTEE WILL BE TALKING WITH THE CHANCELLOR AND HIS ASSOCIATES ON MONDAY (APRIL 21) AND THE TUC GENERAL COUNCIL WILL BE MEETING LATER IN THE WEEK IN ORDER TO MAKE ITS OFFICIAL RESPONSE. AS MURRAY PUT IT, THE TUC WOULD BE ARGUING ITS CASE "FOR A BIGGER TRAINING PROGRAM, FOR EMPLOYMENT SUBSIDIES, FOR MORE HOUSING, FOR ASSISTANCE TO DEVELOP PUBLIC AND PRIVATE INDUSTRIES" WITH HEALEY AND OTHER MINISTERS DURING THE WEEKS AND MONTHS AHEAD. UNDOUBTEDLY, IT WILL TRY TO REINFORCE "THE GOOD THINGS" IN THE BUDGET AND SOFTEN "THE BAD THINGS" IN IT.

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5. BUT IT IS CERTAINLY VERY PREMATURE TO SAY THE SOCIAL CONTRACT, TATTERED AND BUFFETED AS IT MAY BE -- AND FROM ALL SIDES -- IS DEAD. THERE ARE THOSE, INCLUDING SOME VERY RESPECTED OBSERVERS, WHO BELIEVE THAT IT IS IN FACT A FAILED INSTRUMENT. THE INITIAL REACTION OF THE TUC "ESTABLISHMENT" WAS HARDLY ENTHUSIASTIC -- FAR FROM IT-- BUT IT WAS BY NO MEANS A DECLARATION OF WAR. AND THERE LIMITED OFFICIAL USE

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IS EVERY REASON TO BELIEVE THAT THEY WILL TRY TO PREVENT ANY SERIOUS BREACHES IN THEIR RELATIONS WITH THE GOVERNMENT, HOWEVER THE COMMUNISTS, OTHER ELEMENTS OF THE EXTREME LEFT, AND THEIR SUPPORTERS CRY OUT FOR CONFRONTATION. NORMAN WILLIS, ASSISTANT GENERAL SECRETARY OF THE TUC, IS ONE WHO GAVE US A RATHER COOL, ALMOST DETACHED, PRIVATE VIEW WHEN WE SPOKE TO HIM YESTERDAY (APRIL 16). HE SAID THAT TWO PREVIOUS BUDGETS HAD BEEN VIEWED AS "TUC BUDGETS" BECAUSE THEY ACCEPTED IMPORTANT TUC POLICIES, BUT HE ALSO BELIEVED THAT THE TUC COULD LIVE WITH A TOUGH BUDGET. HE ALSO BELIEVES THAT IN GENERAL TERMS THIS IS THE WAY THE TUC GENERAL COUNCIL MAJORITY WILL SEE IT, TOO, BUT HE IS CONCERNED ABOUT THE KINDS OF PUBLIC STATEMENTS, GIVEN SUCH BROAD COVERAGE BY THE BRITISH PRESS, WHICH EMANATE FROM FORA LIKE THE SCOTTISH TUC CONFERENCE, WHERE THE ATMOSPHERE HARDLY LEANT ITSELF TO A MORE DISPASSIONATE OUTLOOK.

6. PRIVATELY, WILLIS AND OTHER TUC OFFICIALS WERE DISMAYED AT THE THRUST OF HEALEY'S PRESENTATION WHICH TENDED TO LAY THE BLAME FOR BUDGET AUSTERITIES AT THE TRADE UNION DOOR, AND THEY ALSO ARE VERY WORRIED ABOUT THE IMPLICATIONS OF AN ACCELERATING UNEMPLOYMENT RATE -- PARTICULARLY IF THE PSYCHOLOGICALLY PAINFUL 1 MILLION UNEMPLOYED MARK MAY BE BREACHED BEFORE THE END OF THE YEAR. THAT IS NOT TO SAY THAT WHAT HEALEY SAID CAME AS A SURPRISE. THE CHANCELLOR COULD HARDLY BE FAULTED FOR FAILING TO CAST HIS GLOOMY SHADOW BEFORE HIM, SINCE IT EMANATED FROM HIS VERY REALISTIC ASSESSMENT OF THE PROBLEMS FACING BRITAIN. TIME AND TIME AGAIN HE HAD ARGUED THAT EXCESSIVE WAGE INCREASES WOULD LEAD TO RISING UNEMPLOYMENT, BUT THIS TIME THE SHOT ACROSS THE TRADE UNION BOW WAS NOT A BLANK. (AS IF TO ADD A CHILLING FOOTNOTE TO HIS BUDGET PRESENTATION, THE DEPARTMENT OF EMPLOYMENT REPORTED YESTERDAY (APRIL 16)

THAT THE ANNUAL RISE IN WAGE RATES OVER THE LAST YEAR HAD
ADVANCED TO 31.5 PERCENT IN CONTRAST TO A RETAIL PRICE
LEVEL INCREASE OF ABOUT 20 PERCENT.) THE TUC ANNUAL ECO-
NOMIC REVIEW HAD OF COURSE URGED THE CHANCELLOR TO DO
PRECISELY THE OPPOSITE OF WHAT HE ACTUALLY PROPOSED --
THAT IS, INCREASE GOVERNMENT SPENDING BY 975 MILLION
POUNDS -- BUT FEW, IF ANY TUC LEADERS REALISTICALLY EX-
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PECTED THIS TO OCCUR.

7. WE BELIEVE THAT THE REAL REASON WHY THERE IS NOT
LIKELY TO BE ANY REAL POLITICAL BREAK BETWEEN THE UNIONS
AND THE GOVERNMENT IS THAT THEY GENUINELY NEED EACH
OTHER. THE SOCIAL CONTRACT, REPAIRED, PAPERED OVER OR
EVEN MODIFIED, IS SYMBOLIC OF THEIR SYMBIOTIC RELATION-
SHIP AND COOL-HANDED LUKES ON BOTH SIDES WILL MOVE HEAVEN
AND EARTH TO KEEP THE LABOR GOVERNMENT IN POWER. FOR
THEM, THE CONSERVATIVE GOVERNMENT RETURNING TO POWER IS
THE GRIM BLEAK ALTERNATIVE. THE DAY-TO-DAY EFFECT ON
WAGE NEGOTIATIONS IS ANOTHER THING, HOWEVER. THE BUDGET
WILL PROBABLY STIFFEN THE DEMANDS OF UNIONS WHICH ARE NOW
NEGOTIATING MAJOR CLAIMS, SUCH AS THE RAILWAY WORKERS,
AND IT COULD AS THE AUTHORITATIVE LABOR JOURNALIST, JOHN
ELLIOTT, WRITES BRING "FRESH PRESSURE FOR HIGHER WAGE
INCREASES DURING THE COMING MONTHS FROM TRADE UNIONS BE-
CAUSE OF THE IMPACT OF THE TAXATION INCREASES ON PRICES".
BUT ITS PRACTICAL EFFECTS IN THE COLLECTIVE BARGAINING
AREA STILL REMAIN TO BE SEEN.

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